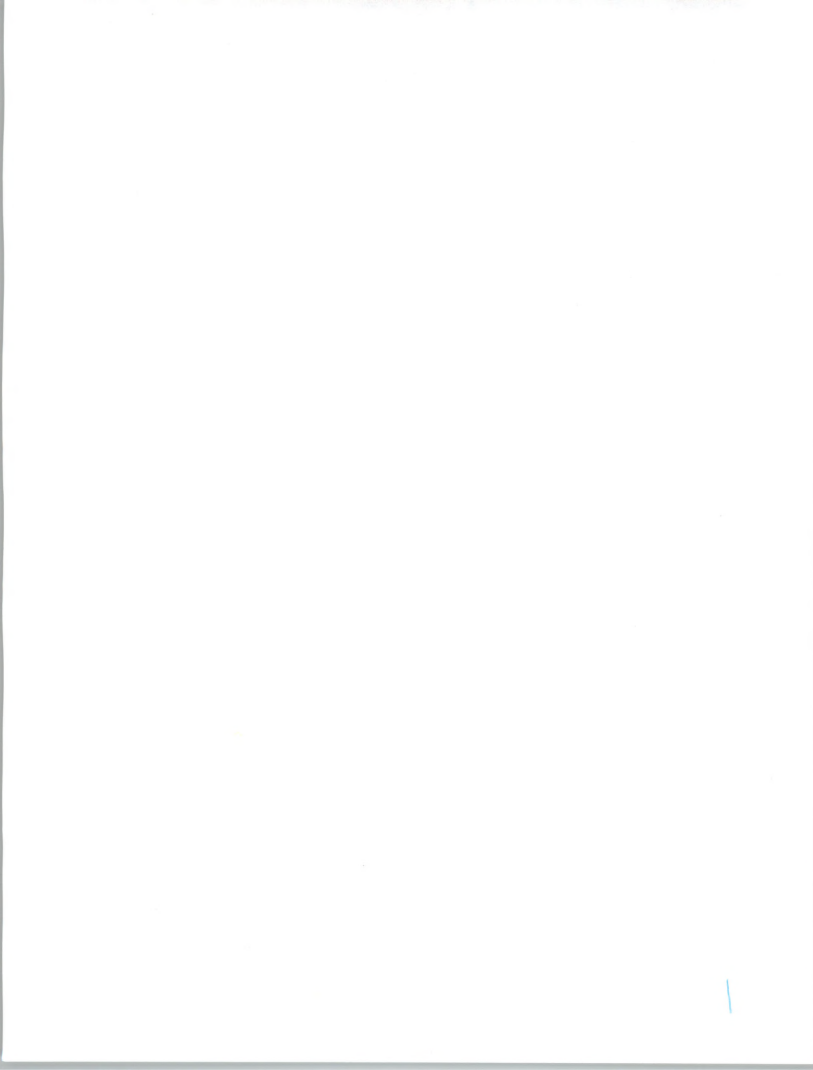


**Outsourcing:
A European Perspective**

19 October 1993

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Prepared by
INPUT
17 Hill Street, Mayfair
London W1X 7FB
England

Outsourcing: A European Perspective

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Notes

Outsourcing: A European Perspective

19 October 1993

EU-ORP-93-1

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Outsourcing Market—France

	Spend (FF Bn)	93-98 Growth (%)
Total IT	324.0	1
Software and Services	105.0	7
Outsourcing	4.2	21

EU-ORP-93-2

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Notes

The Computer Industry In the 1990s

Technology Revolutions
+
Organizational Evolutions
=
All the rules have changed

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IS Environment

"Traditional"	"Downsized"
Mainframe	Client/server
Shared	Dedicated
Remote	Local
IS operated	User operated

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Notes

Key Opportunities Outsourcing Europe

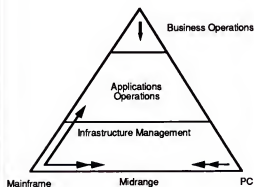
- Infrastructure not data centre management
- Business benefit not cost saving

EU-001-200 5

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Evolution of European Outsourcing



EU-01-42

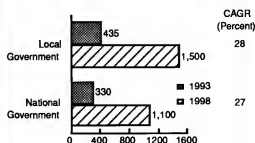
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Notes

Government IS Outsourcing by Sector—Europe, 1993-1998



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Opportunities in Local Government



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Notes

Threat from New Entrants

- Equipment vendors - do they subsidize equipment
- U.S. professional services vendors - the application of leading edge technology
- Large organization data centres - the threat of marginal pricing

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Vendor Positioning

Business
Benefits

Cost
Savings

Data Centre
Management

Infrastructure
Management

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'Octopus' Strategy

Extend arms as far as possible around clients.

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Notes

Outsourcing Client Satisfaction

60-000-000 1

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Survey Objectives

- Identify satisfaction ratings
 - Overall
 - By service type
- Identify benefits sought and levels of achievement
- Identify areas for improvement
- Identify future service requirements

60-000-000 2

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Notes

Survey Methodology

- Primarily managing directors and finance directors
- 47 Interviews
 - 20 United Kingdom
 - 17 France
 - 10 Germany

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Increasing Client Need for Outsourcing

- Client satisfaction
- Service improvement challenges
- Outsourcing business development

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Notes

Client Satisfaction

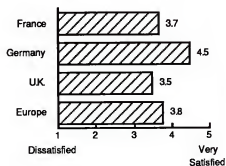
- Opinions strongly polarised (satisfied/dissatisfied)
- Declines over time
- Traditional services favoured/new services weak

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Overall Satisfaction



Sample of 47 users of outsourcing services

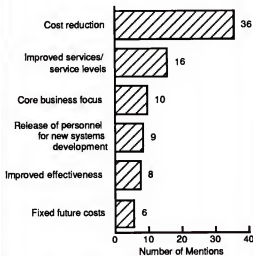
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Notes

Principal Benefits Sought Europe



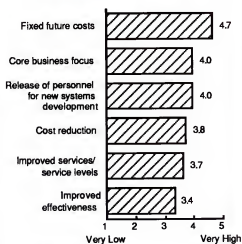
Sample of 47 outsourcing clients

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Degree of Achievement of Benefits Sought—Europe



Sample of 47 outsourcing clients

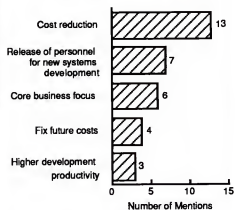
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Notes

Principal Benefits Sought—France



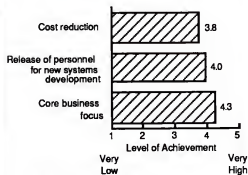
Sample of 17 outsourcing clients

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Degree of Achievement of Benefits Sought—France



Sample of 17 outsourcing clients

ES-0001-0001 8

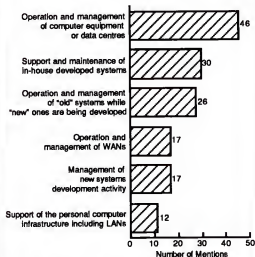
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15

Notes

Outsourcing by Service Category—Europe



Sample of 47 European outsourcing clients

INPUT

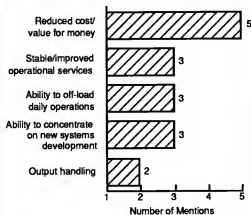
Service Improvement Challenges

- Vendor/client procedures and communication
- Proactive account development
- Understand client's applications and business needs

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Notes

Aspects of Service Liked—France



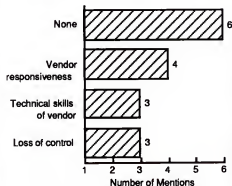
Sample of 17 outsourcing clients

IS/CSP/980 10

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Areas of Dissatisfaction—France



Sample of 17 outsourcing clients

IS/CSP/980 11

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17

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- Vendor responsiveness/communication
- Inadequate cost reduction
- Excessive bureaucracy
- Inadequate breadth of technical skills

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INPUT

Region	Did Select Lowest Price	Did Not Select Lowest Price
France	4	9
United Kingdom	6	10
Germany	3	5
Europe	13	24

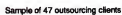
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Outsourcing Business Development

- Clients will increase their use of outsourcing - (70%)
- Clients will renew their outsourcing contracts - (90%)
- Moderate vendor loyalty in France

INPUT

Notes

Overall Satisfaction by Contract Start Date



Sample of 29 outsourcing clients

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Action at End of Present Contract

Action	Number of Mentions	
	France	Europe
Continue to outsource	12	33
Stop outsourcing	1	4
Total	13	37

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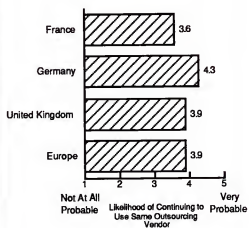
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2

Notes

Client Loyalty

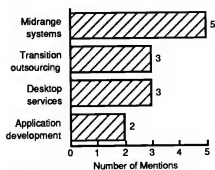


EU-OSF-95-11

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Increased Scope of Outsourcing—France



Sample of 12 outsourcing clients

EU-OSF-95-11

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12

Notes

How to Improve Use of Outsourcing

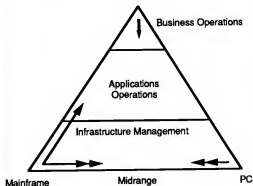
- Outsource more activities
- Improved communication and partnerships
- Meet emerging client needs

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Evolution of European Outsourcing



E-OU-02

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Contact us today to learn how your company can use INPUT's knowledge and experience to grow and profit in the revolutionary IT world of the 1990s.

SUBSCRIPTION SERVICES

- **Information Services Markets**
 - Worldwide and country data
 - Vertical industry analysis
- **Systems Integration and Business Process Change**
- **Client/Server Applications and Directions**
- **IT Outsourcing Opportunities**
- **Information Services Vendor Profiles and Analysis**
- **EDI/Electronic Commerce**
- **U.S. Federal Government IT Markets**
- **IT Customer Services Directions**
- **Interactive Communications Services**
- **Multimedia Opportunities**

SERVICE FEATURES

Research-based reports on trends, etc.
(Over 100 in-depth reports a year)
Frequent bulletins on events, issues, etc.
5-year market forecasts
Competitive analysis
Access to experienced consultants
Immediate answers to questions

DATA BASES

- **Software and Services Market Forecasts**
- **Software and Services Vendors**
- **U.S. Federal Government**
 - Procurement Plans (PAR)
 - Forecasts
 - Awards (FAIT)
- **Commercial Application LEADS**

CUSTOM PROJECTS

For Vendors—analyze:

- **Market strategies**
- **Product/service opportunities**
- **Customer satisfaction levels**
- **Competitive position**
- **Acquisition targets**

For Buyers—evaluate:

- **Specific vendors**
- **Outsourcing options**
- **Market opportunities**
- **Systems plans**
- **Peer position**

OTHER SERVICES

Presentations to user groups, planning meetings, etc.

Acquisition/partnership searches

Newsletters

INPUT WORLDWIDE

Frankfurt
Sudetenstraße 9
D-35428 Langgöns-
Niederkleen
Germany
Tel. +49 (0) 6447-7229
Fax +49 (0) 6447-7327

London
17 Hill Street
London W1X 7FB
England
Tel. +44 (0) 71 493-9335
Fax +44 (0) 71 629-0179

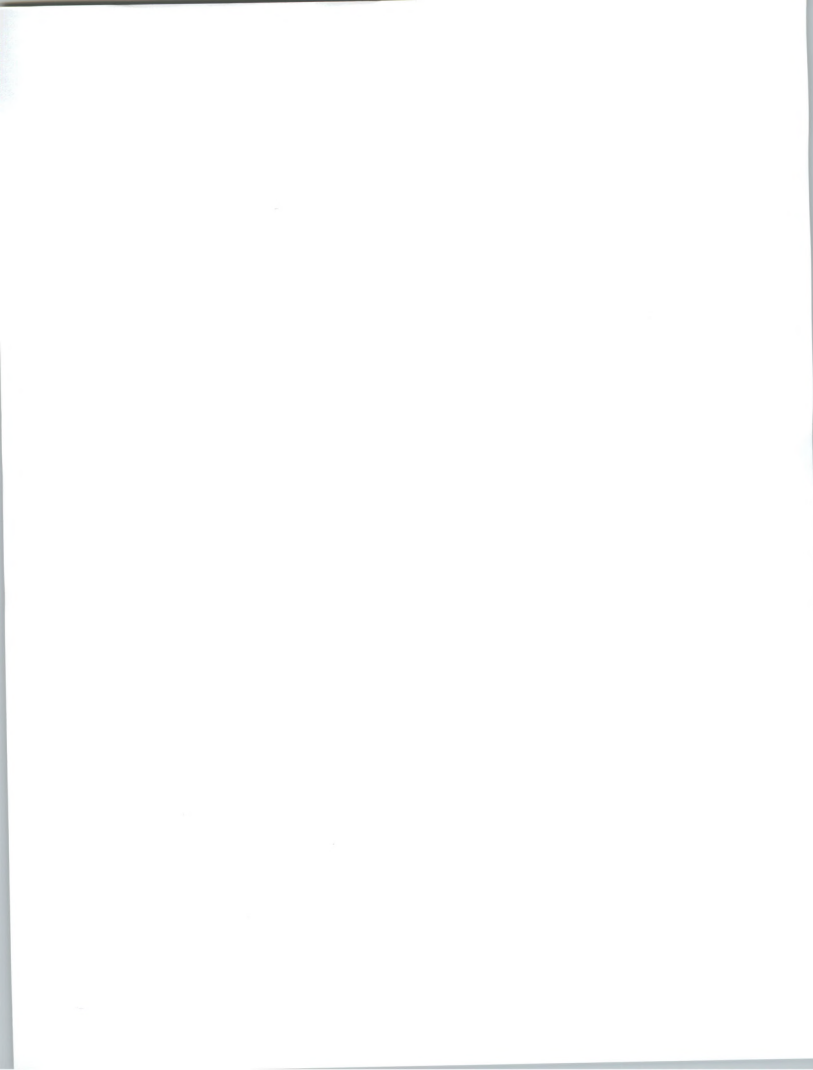
New York
400 Frank W. Burr Blvd.
Teaneck, NJ 07666
U.S.A.
Tel. 1 (201) 801-0050
Fax 1 (201) 801-0441

Paris
24, avenue du Recteur
Poincaré
75016 Paris
France
Tel. +33 (1) 46 47 65 65
Fax +33 (1) 46 47 69 50

San Francisco
1881 Landings Drive
Mountain View
CA 94043-0848
U.S.A.
Tel. 1 (415) 961-3300
Fax 1 (415) 961-3966

Tokyo
Saida Building, 4-6,
Kanda Sakuma-cho
Chiyoda-ku, Tokyo 101
Japan
Tel. +81 3 3864-0531
Fax +81 3 3864-4114

Washington, D.C.
1953 Gallows Road
Suite 560
Vienna, VA 22182
U.S.A.
Tel. 1 (703) 847-6870
Fax 1 (703) 847-6872



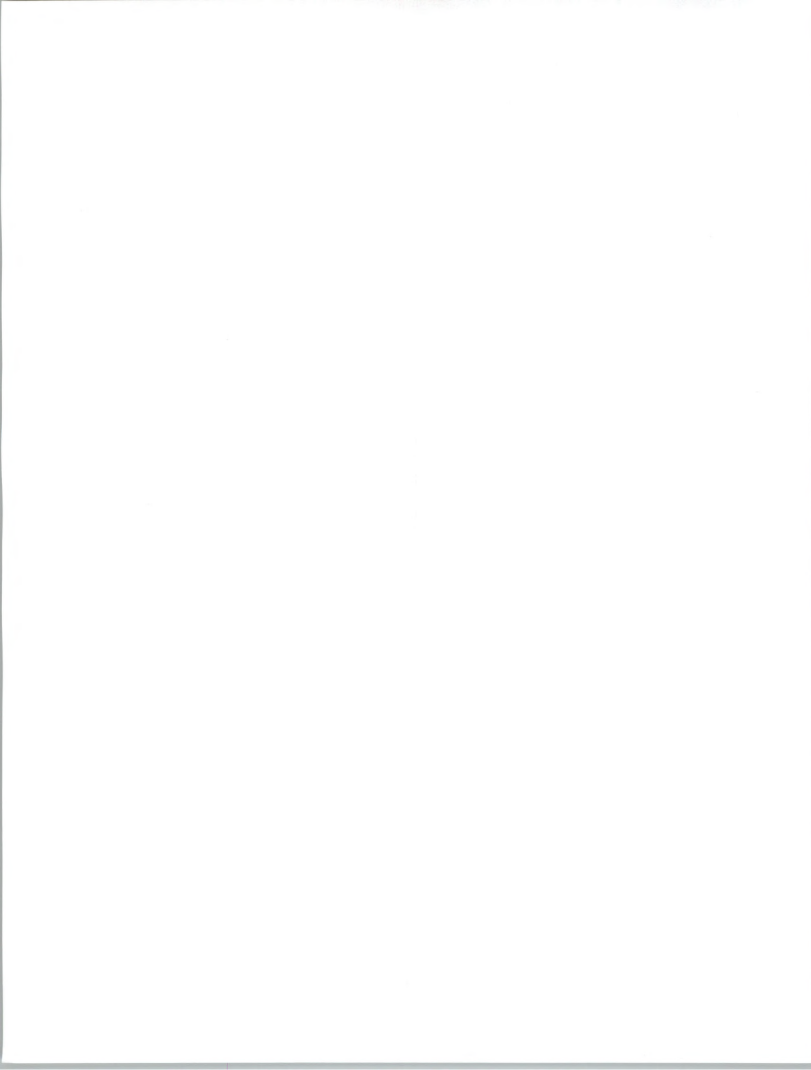
24

Outsourcing: A European Perspective

19 October 1993

Outsourcing Market—France

	Spend (FF Bn)	93-98 Growth (%)
Total IT	324.0	1
Software and Services	105.0	7
Outsourcing	4.2	21



The Computer Industry in the 1990s

Technology Revolutions
+
Organizational Evolutions
=
All the rules have changed

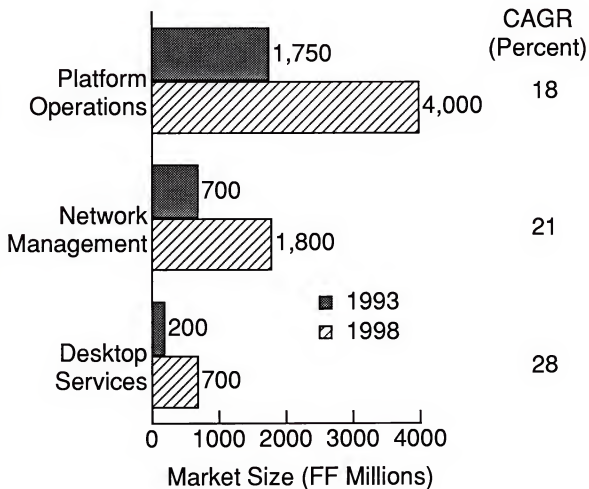


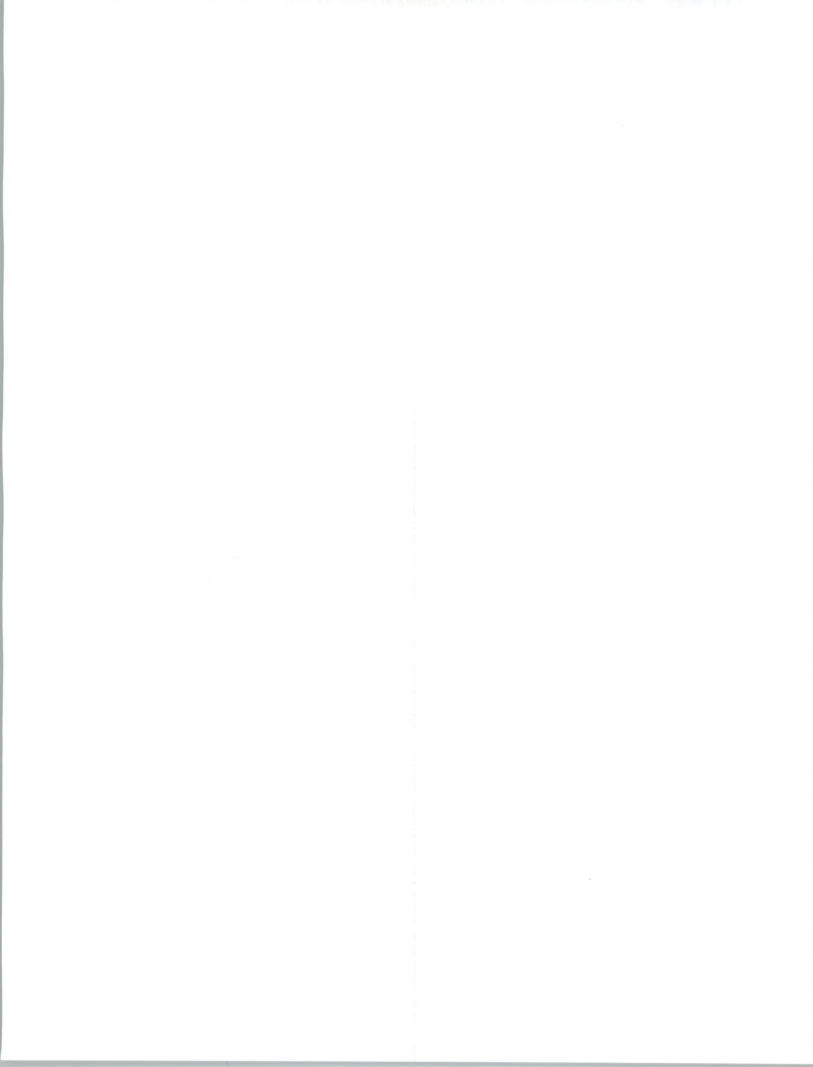
IS Environment

"Traditional"	"Downsized"
Mainframe	Client/server
Shared	Dedicated
Remote	Local
IS operated	User operated

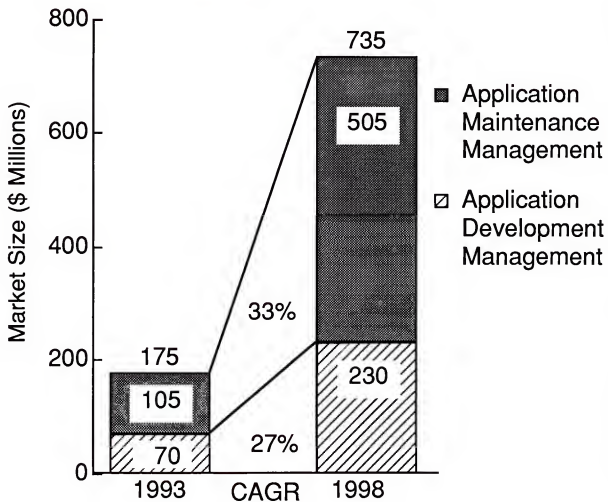


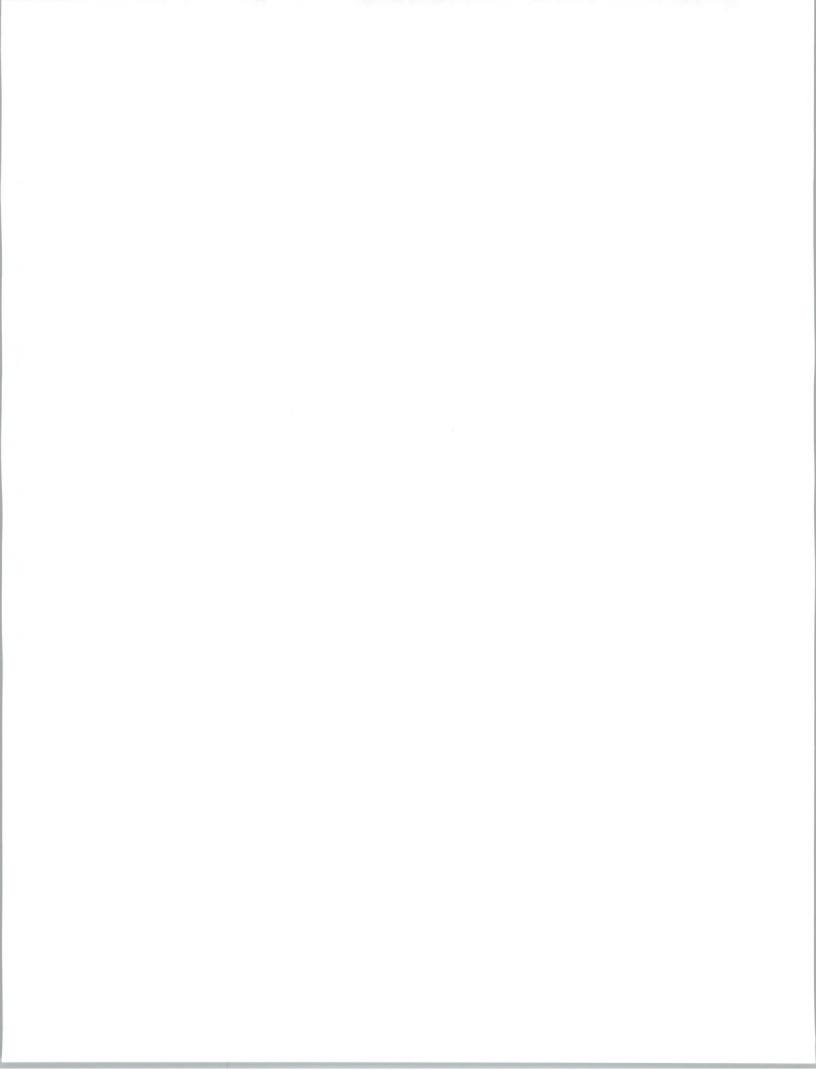
Infrastructure Management Market—France





Application Management Forecast, Europe

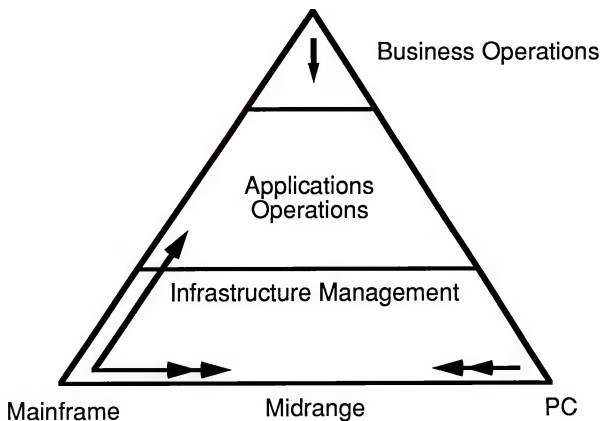


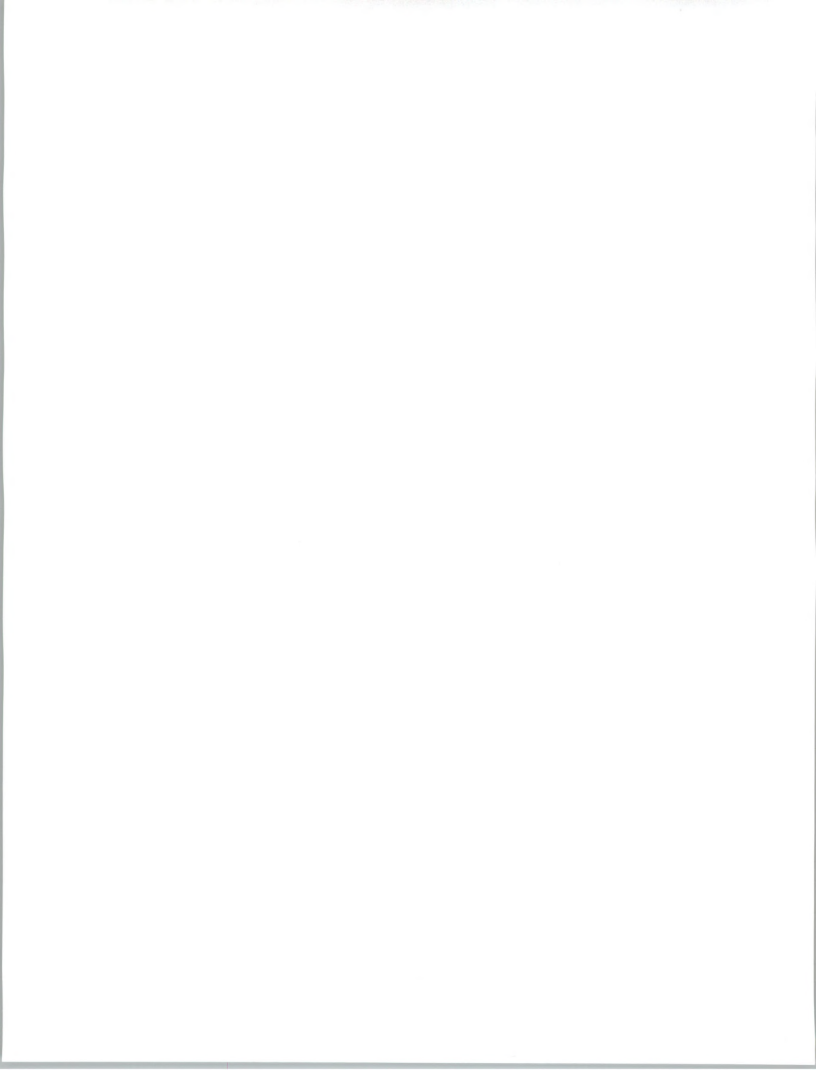


Key Opportunities Outsourcing Europe

- Infrastructure not data centre management
- Business benefit not cost saving

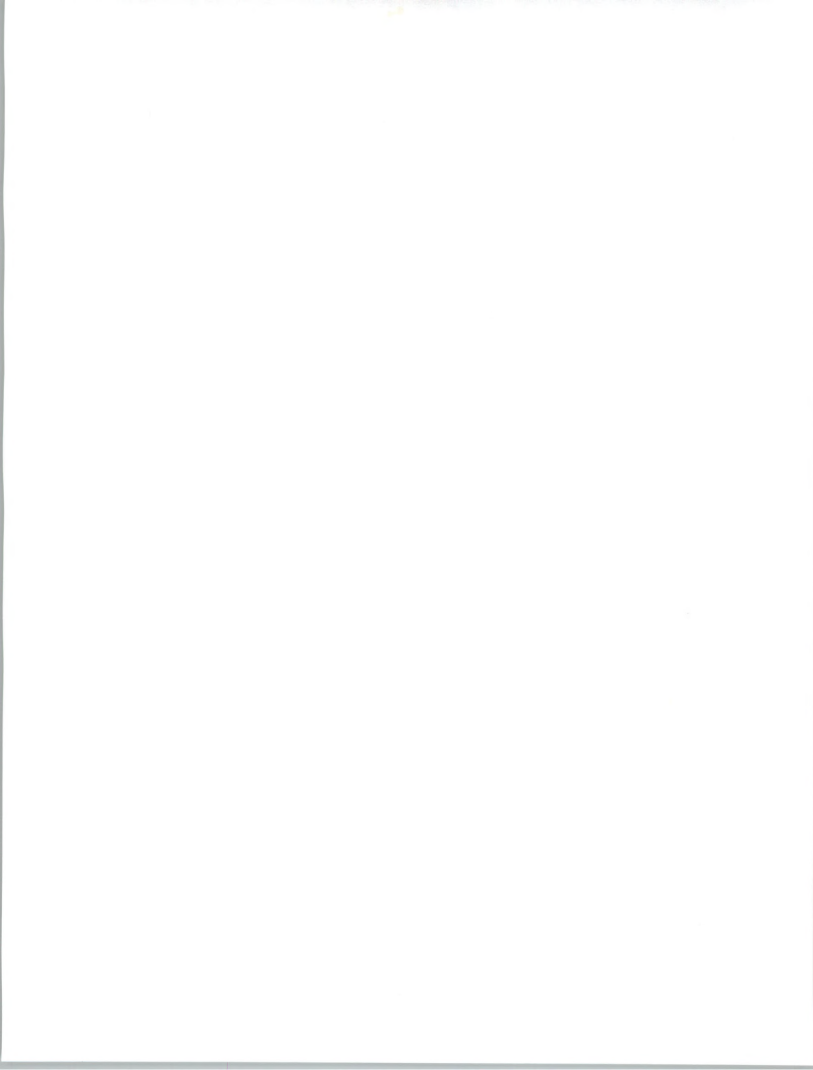
Evolution of European Outsourcing





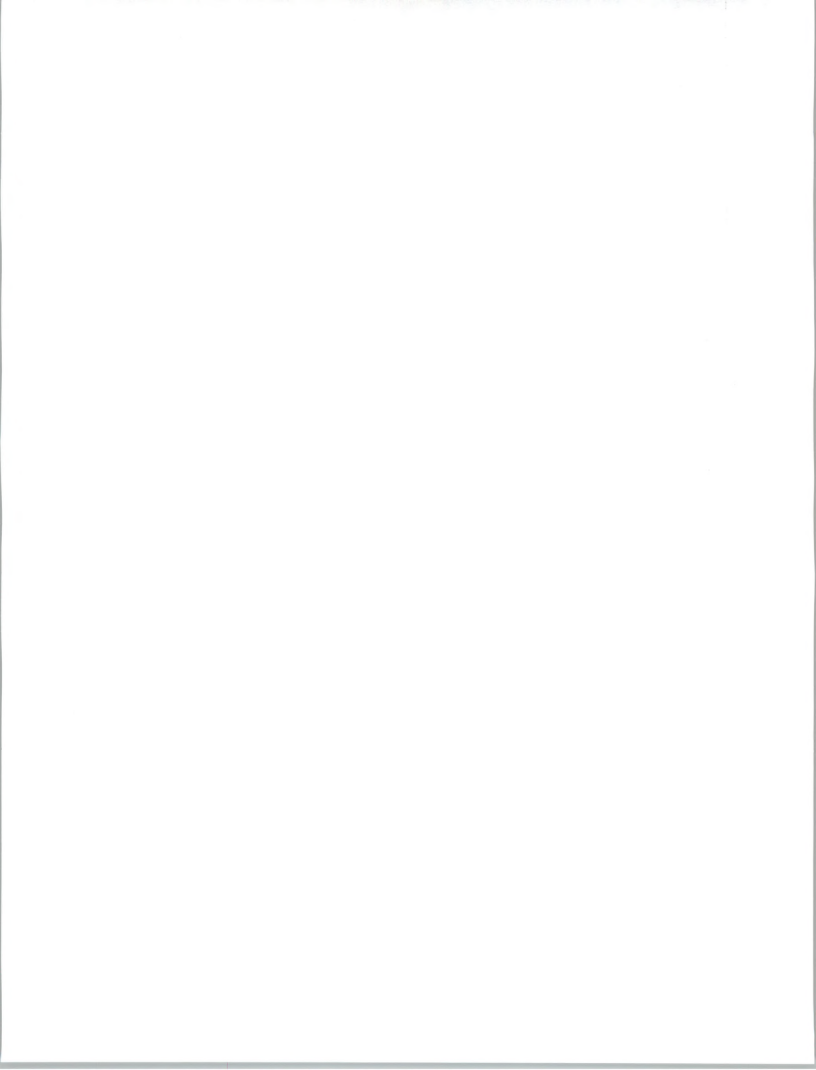
High Growth Sectors Outsourcing

- Distribution
- Transportation
- Government?

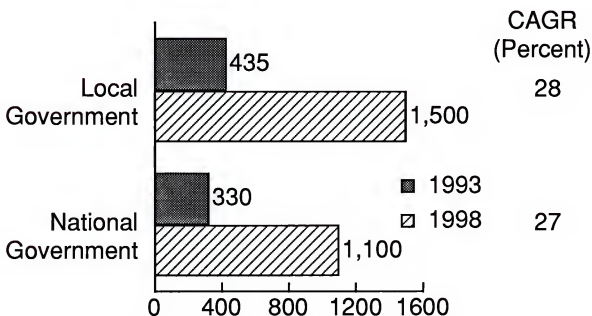


Major Outsourcing Contracts 1992-1993

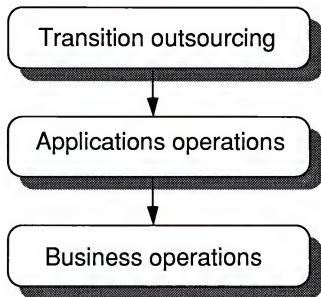
Client	Vendor	Contract Value (\$ M)	Number of Years
Kooperativa Forbundet (KF)	EDS	1,000	10
East Midlands Electricity	Perot Systems	400	12
Europcar	Perot Systems	600	10
BHS	CSC	200	11



Government IS Outsourcing by Sector—Europe, 1993-1998



Opportunities in Local Government



Threat from New Entrants

- Equipment vendors - do they subsidize equipment
- U.S. professional services vendors - the application of leading edge technology
- Large organization data centres - the threat of marginal pricing



Vendor Positioning

Business
Benefits

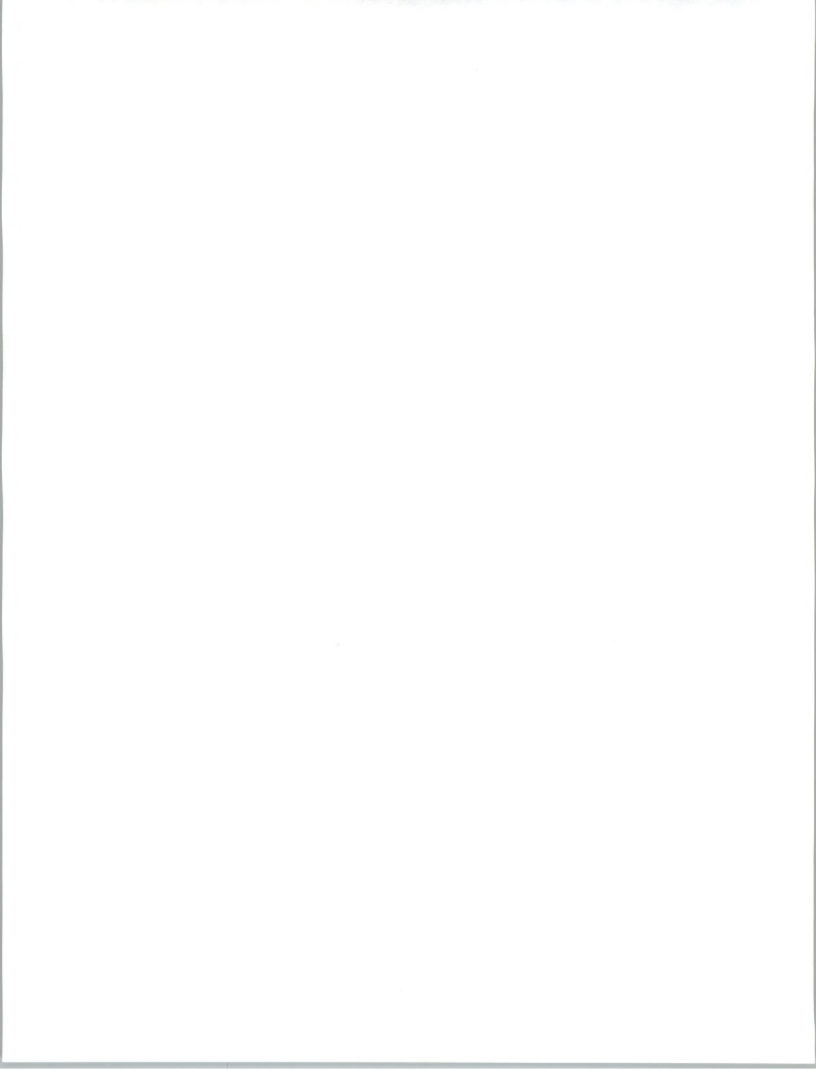
Cost
Savings

Data Centre
Management

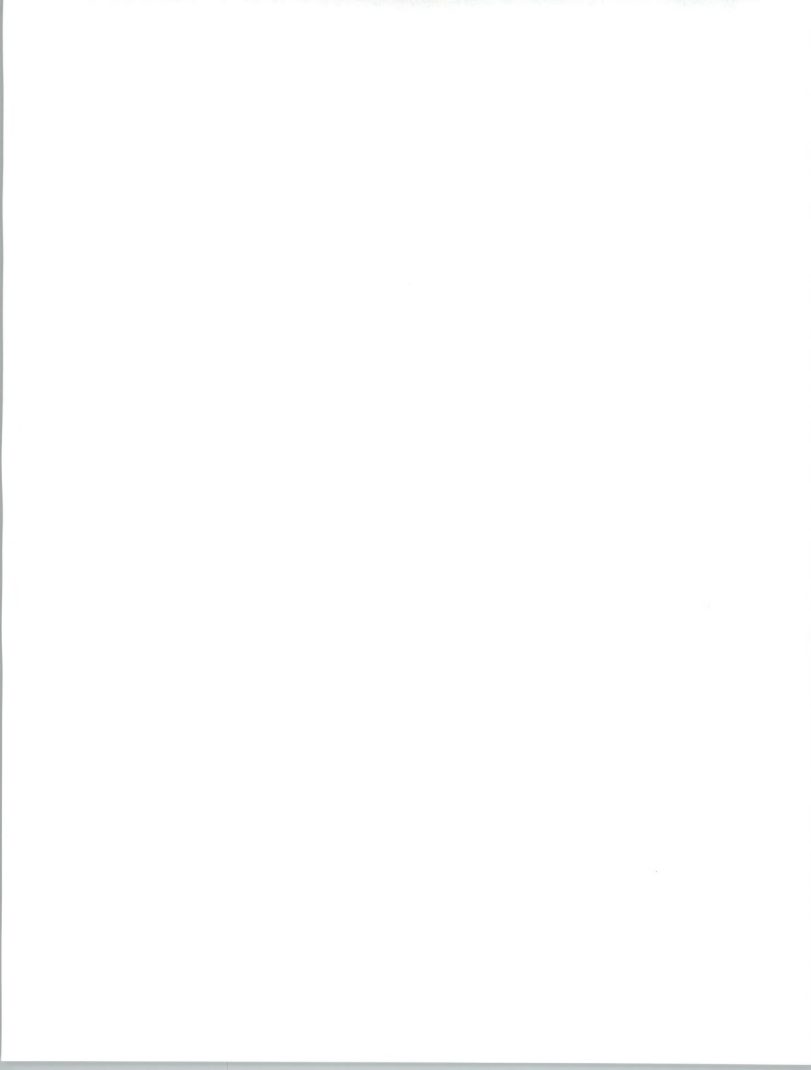
Infrastructure
Management

'Octopus' Strategy

Extend arms as far as possible around clients.



Outsourcing Client Satisfaction



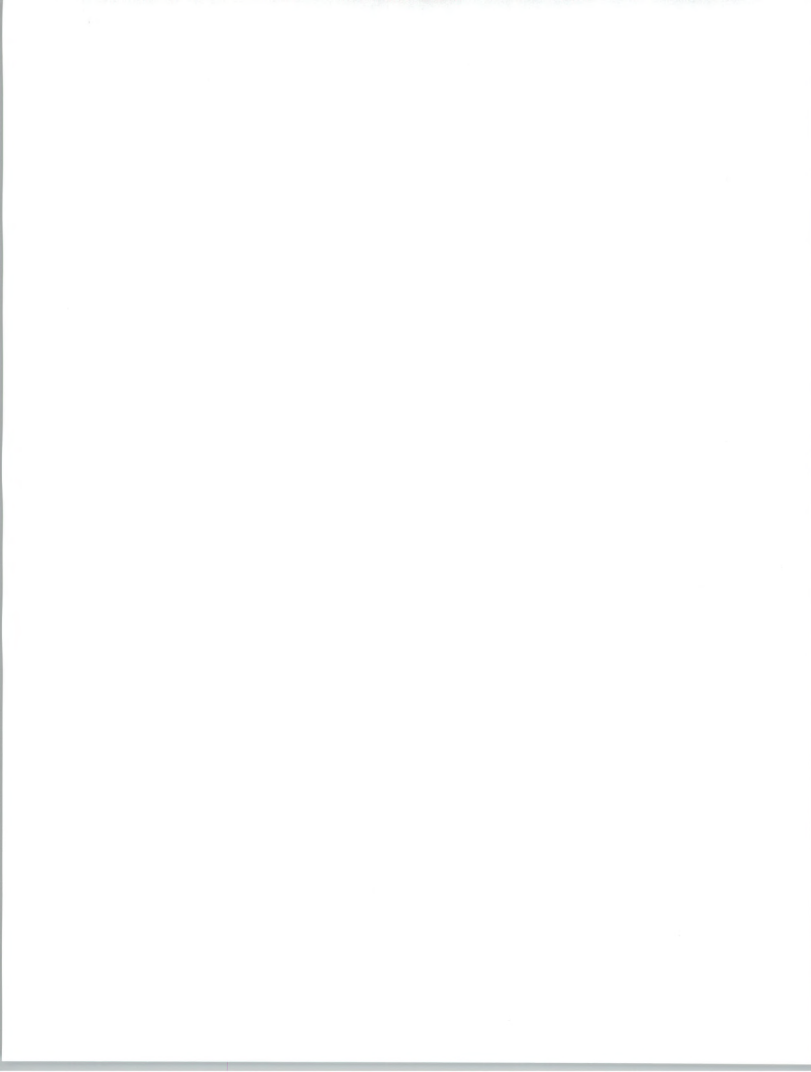
Survey Objectives

- Identify satisfaction ratings
 - Overall
 - By service type
- Identify benefits sought and levels of achievement
- Identify areas for improvement
- Identify future service requirements



Survey Methodology

- Primarily managing directors and finance directors
- 47 Interviews
 - 20 United Kingdom
 - 17 France
 - 10 Germany



Increasing Client Need for Outsourcing

- Client satisfaction
- Service improvement challenges
- Outsourcing business development

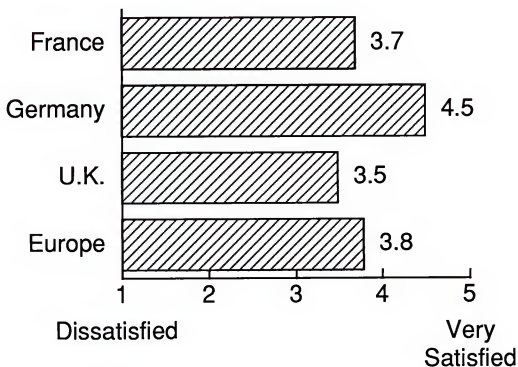


Client Satisfaction

- Opinions strongly polarised (satisfied/dissatisfied)
- Declines over time
- Traditional services favoured/new services weak



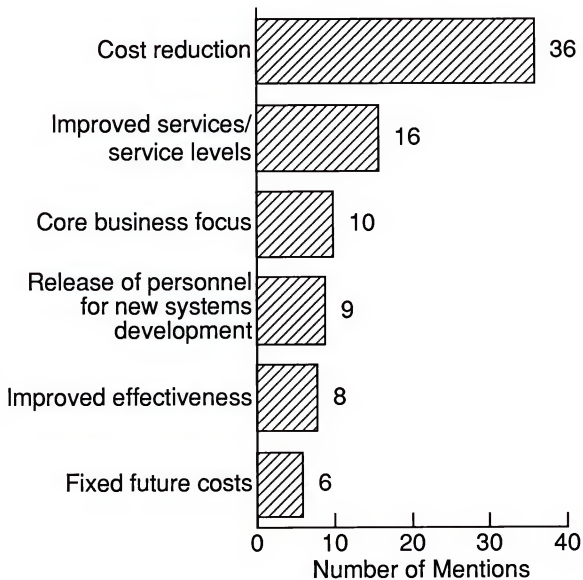
Overall Satisfaction



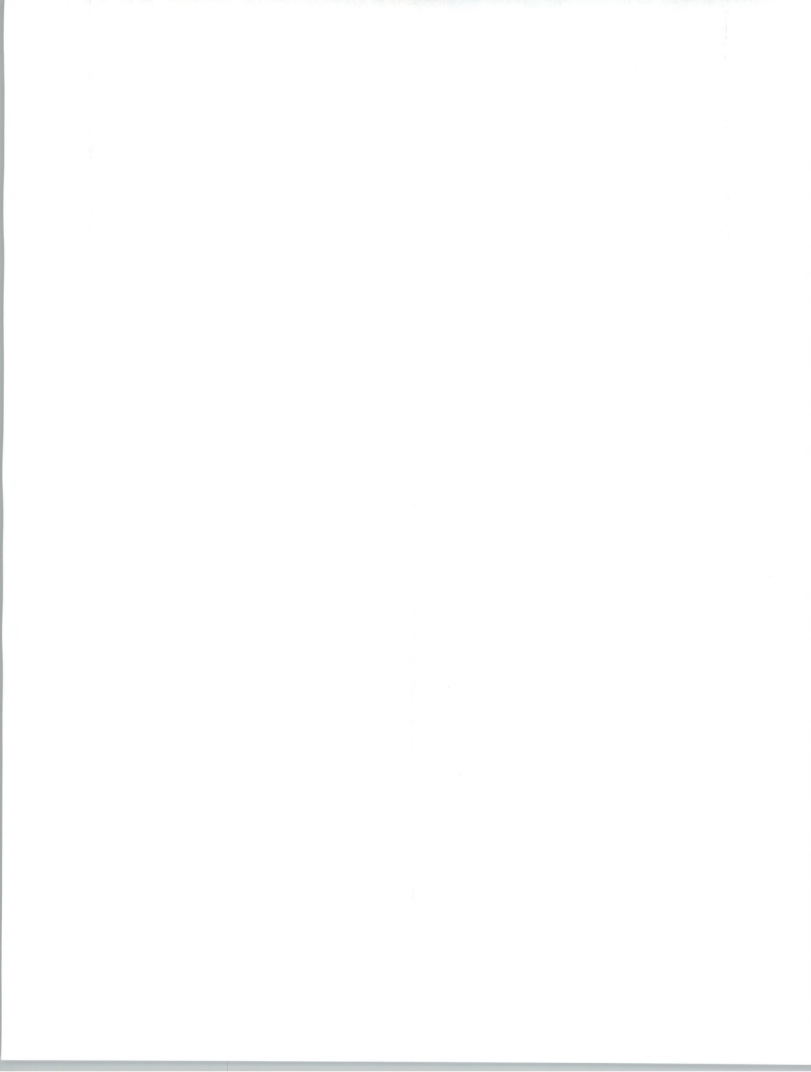
Sample of 47 users of outsourcing services



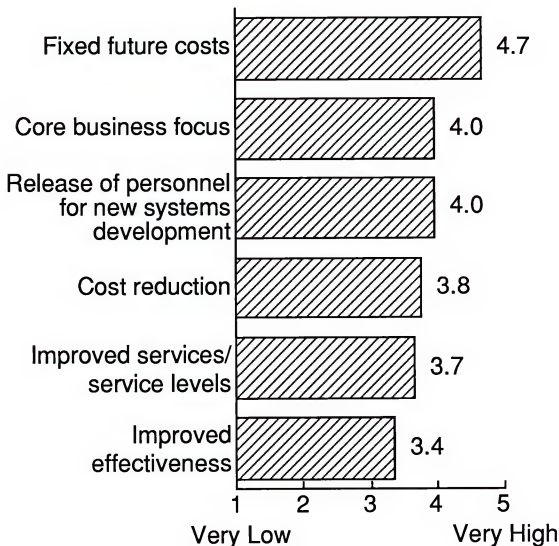
Principal Benefits Sought Europe



Sample of 47 outsourcing clients



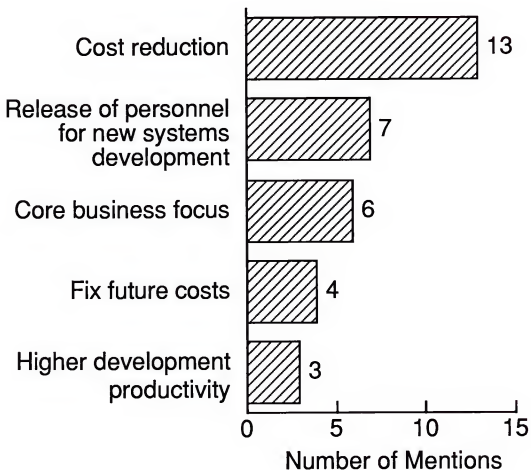
Degree of Achievement of Benefits Sought—Europe



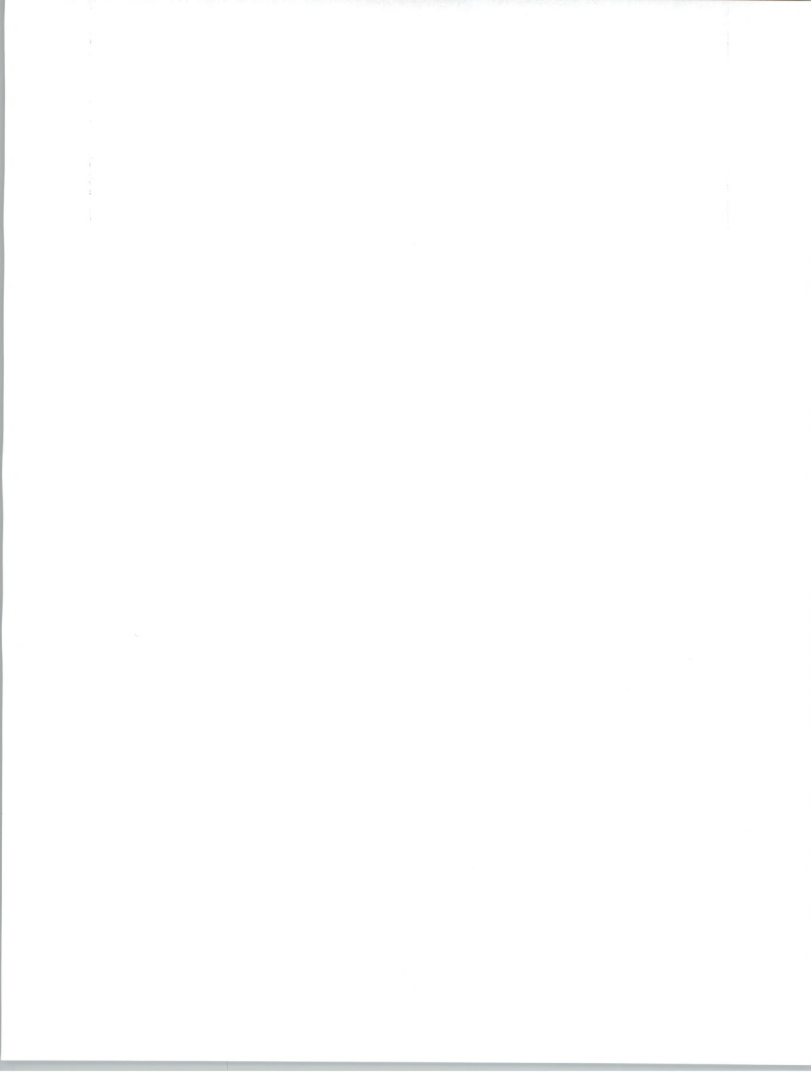
Sample of 47 outsourcing clients



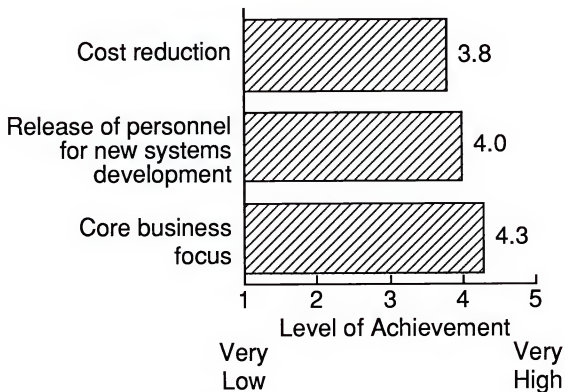
Principal Benefits Sought—France



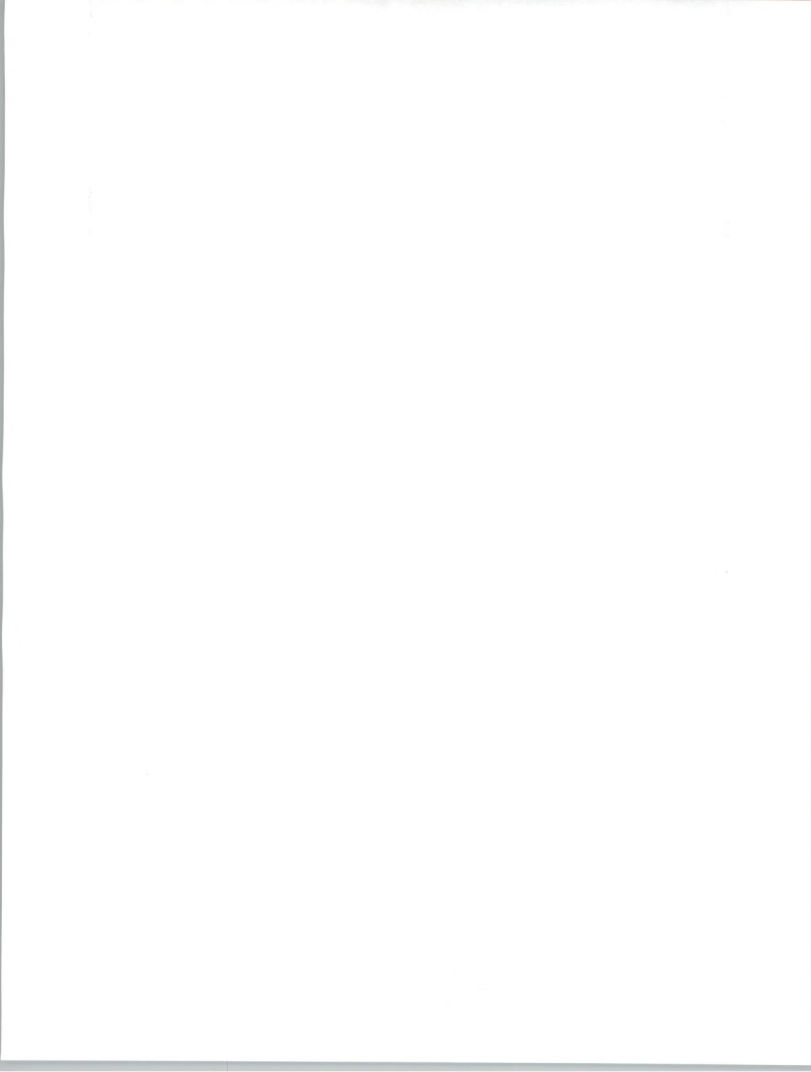
Sample of 17 outsourcing clients



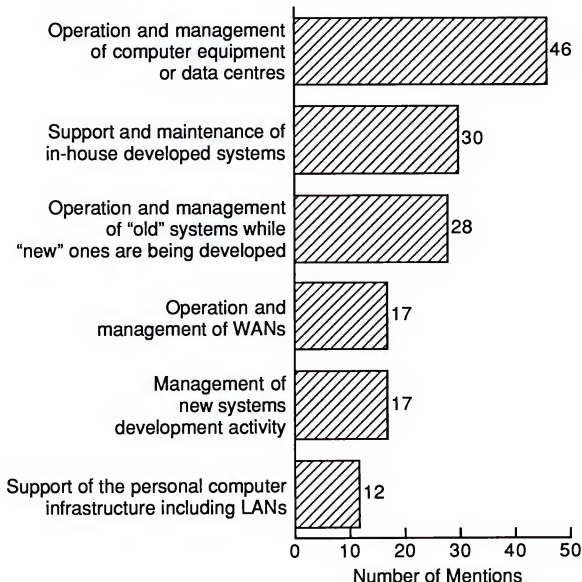
Degree of Achievement of Benefits Sought—France



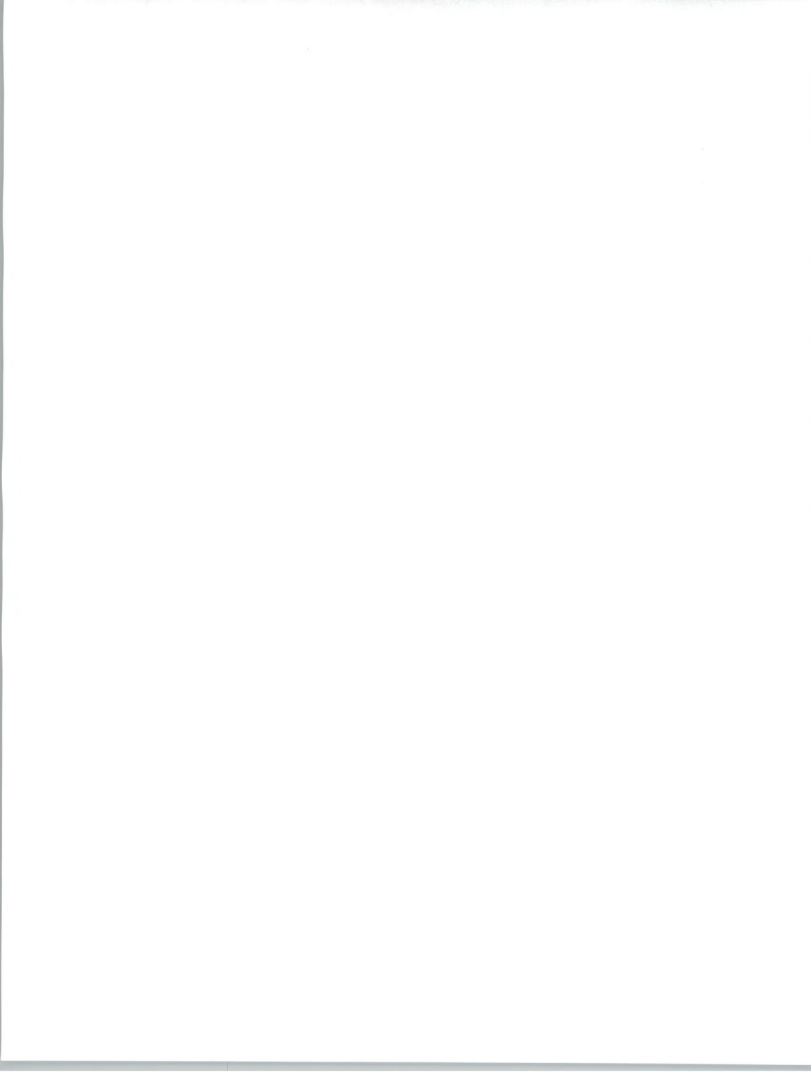
Sample of 17 outsourcing clients



Outsourcing by Service Category—Europe

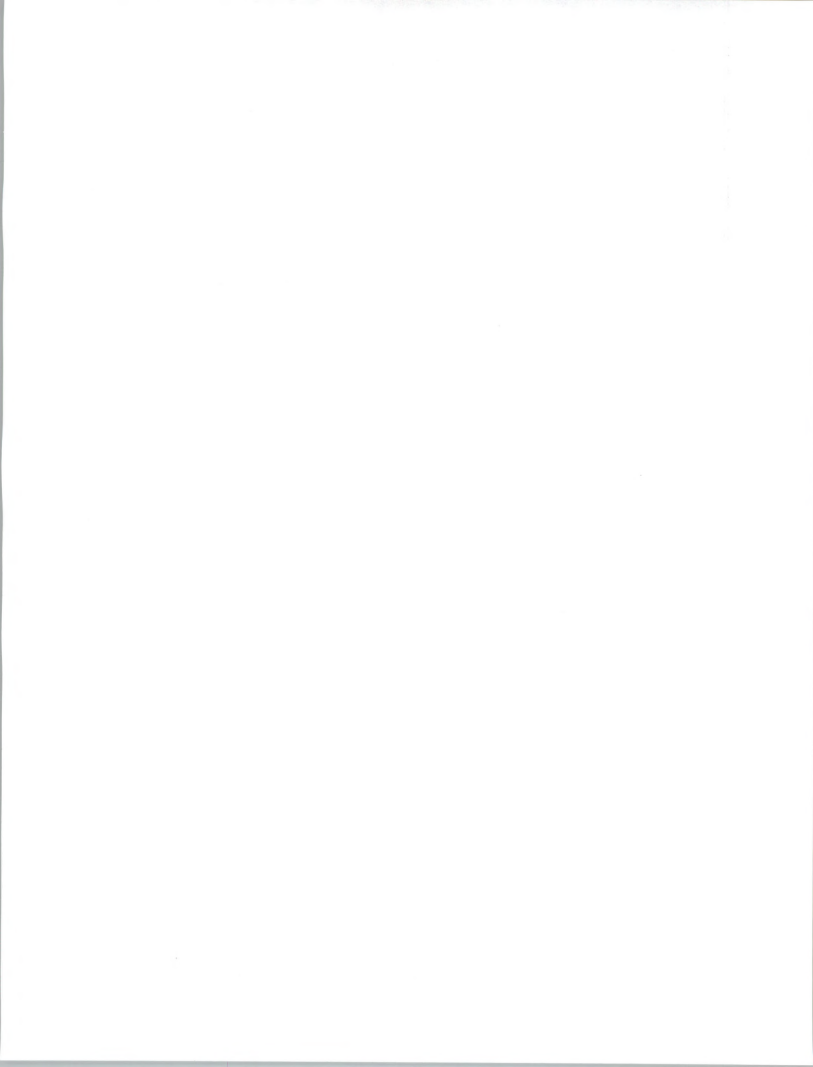


Sample of 47 European outsourcing clients

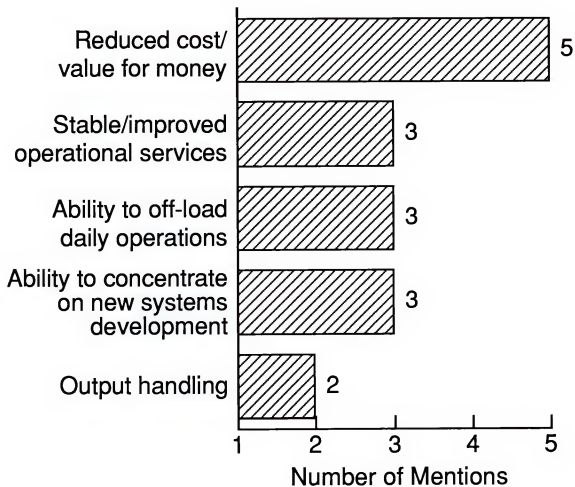


Service Improvement Challenges

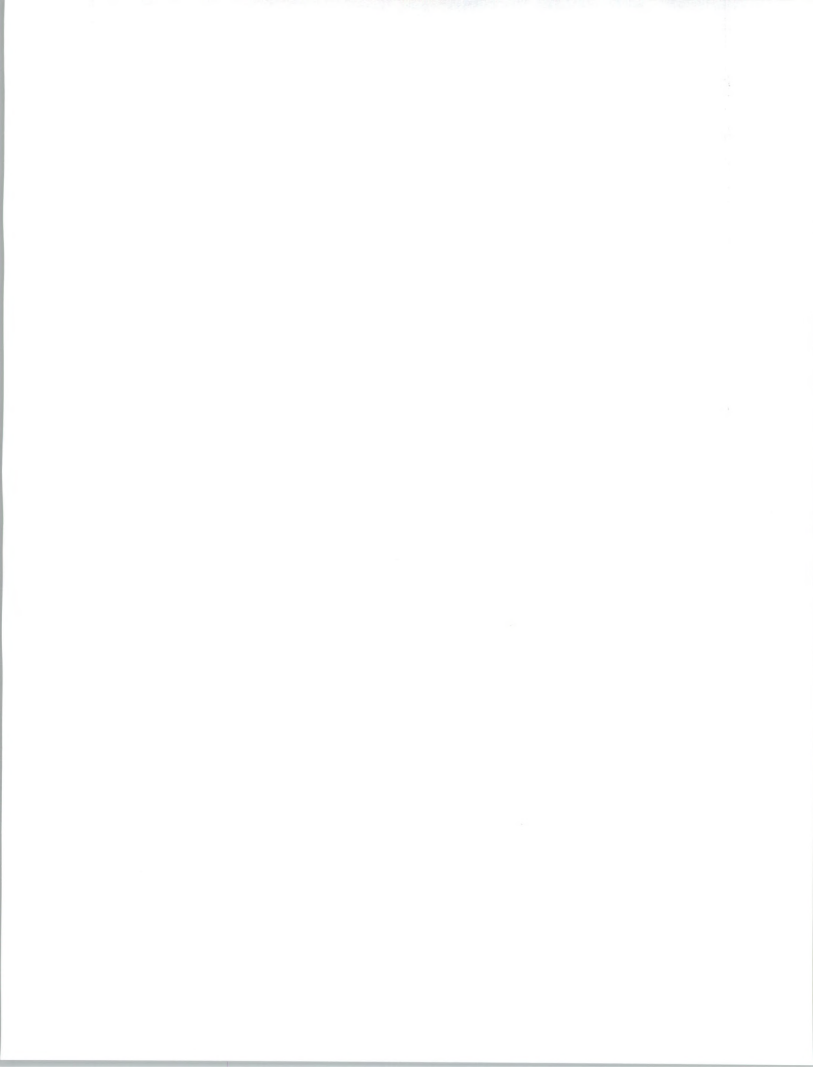
- Vendor/client procedures and communication
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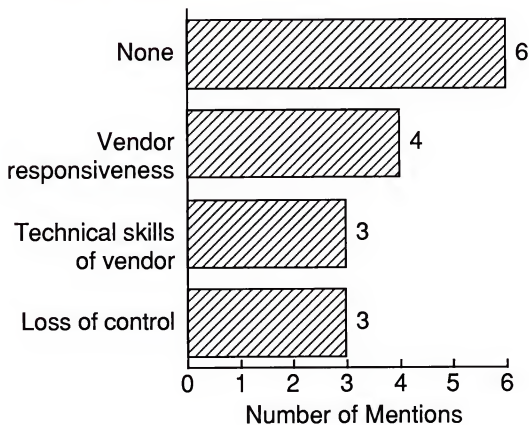
Aspects of Service Liked—France



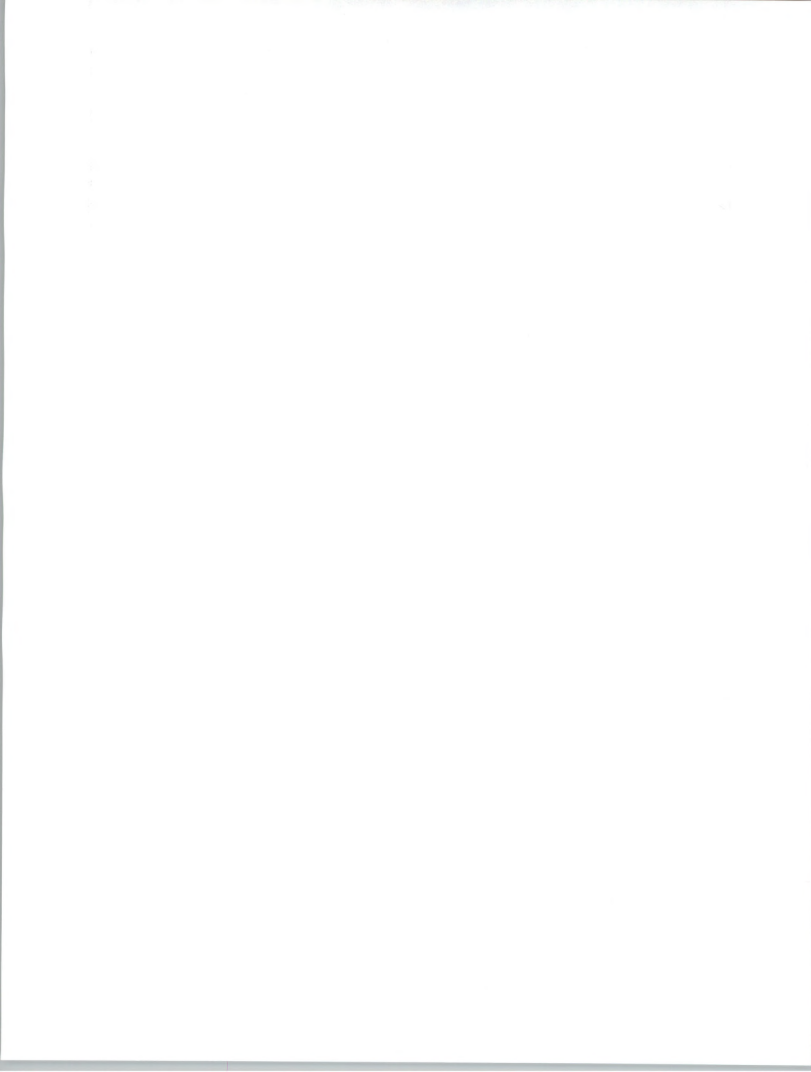
Sample of 17 outsourcing clients



Areas of Dissatisfaction—France

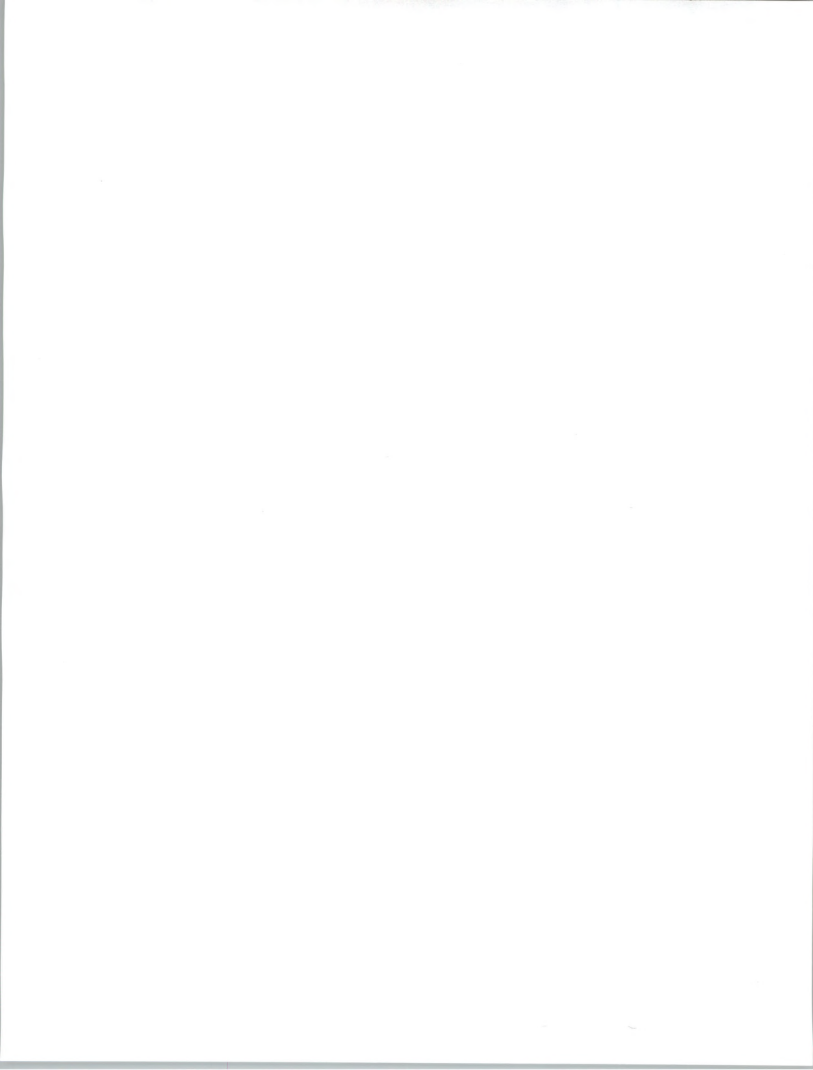


Sample of 17 outsourcing clients



Areas of Dissatisfaction—Europe

- Vendor responsiveness/communication
- Inadequate cost reduction
- Excessive bureaucracy
- Inadequate breadth of technical skills

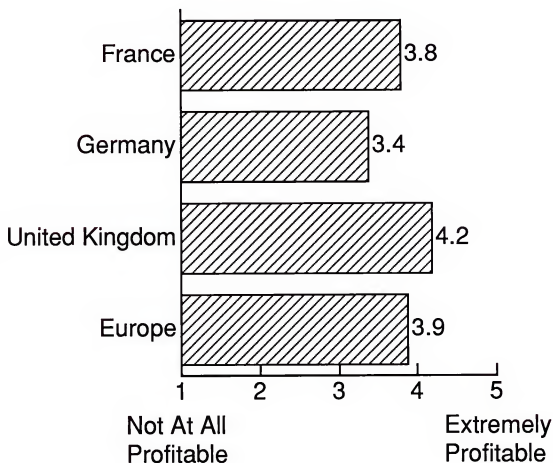


Number of Clients Selecting Lowest Price Bid

Region	Did Select Lowest Price	Did Not Select Lowest Price
France	4	9
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Germany	3	5
Europe	13	24



Perceived Profitability of Outsourcing Contracts



Sample of 47 outsourcing clients

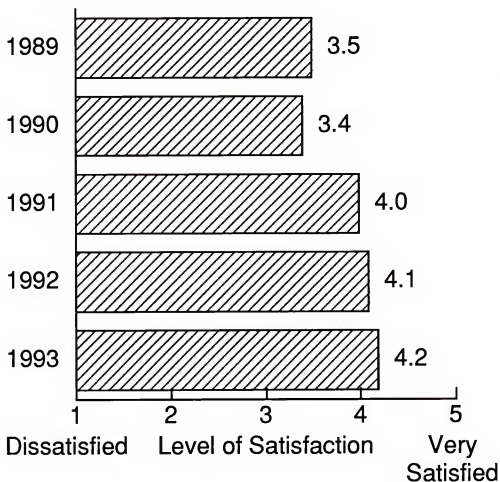


Outsourcing Business Development

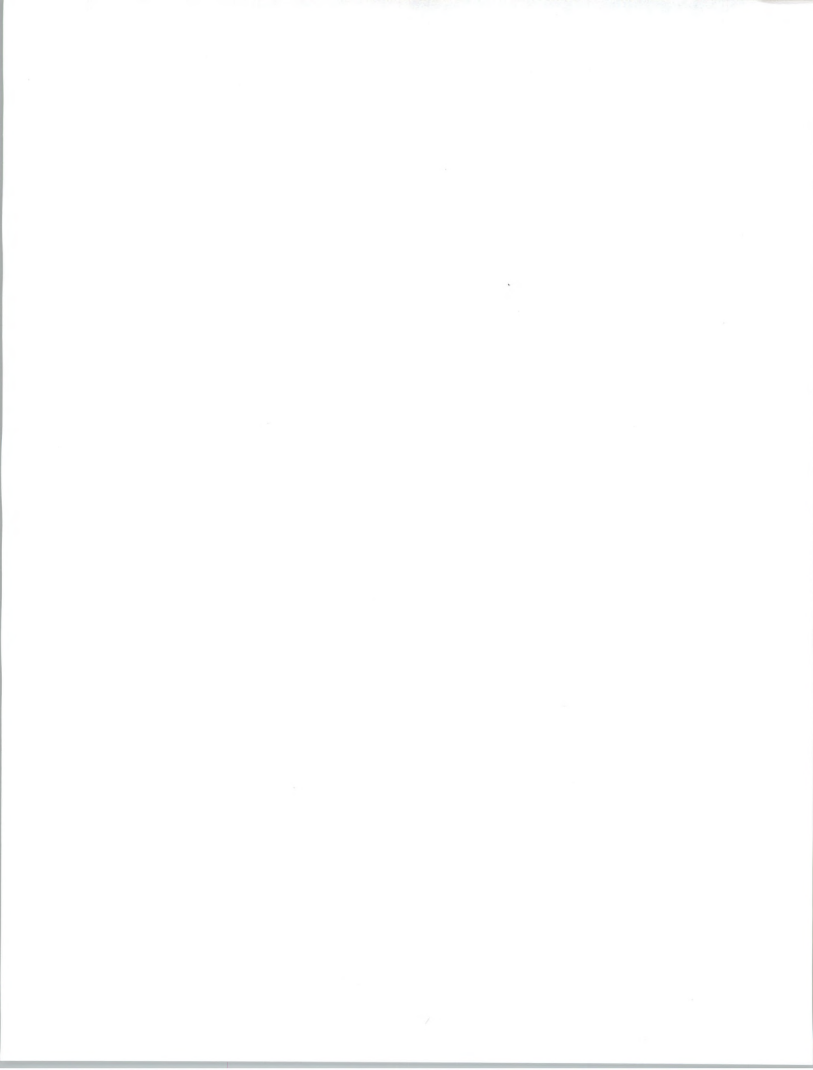
- Clients will increase their use of outsourcing - (70%)
- Clients will renew their outsourcing contracts - (90%)
- Moderate vendor loyalty in France



Overall Satisfaction by Contract Start Date

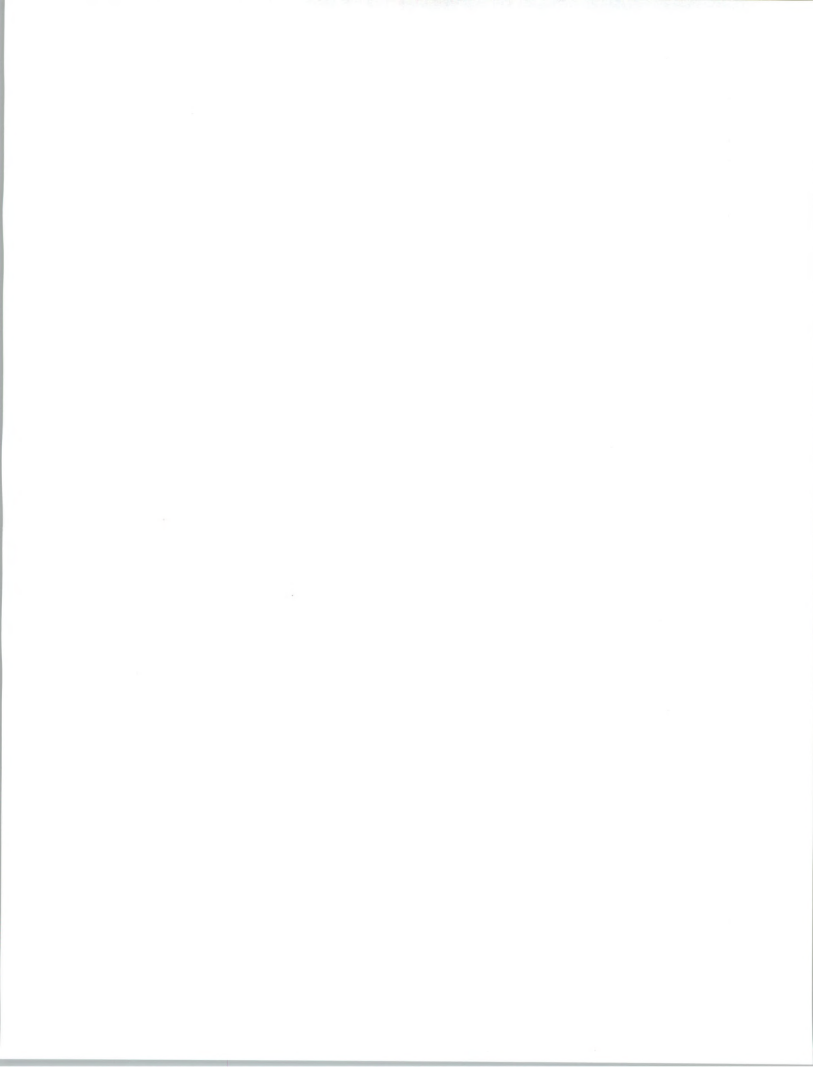


Sample of 29 outsourcing clients

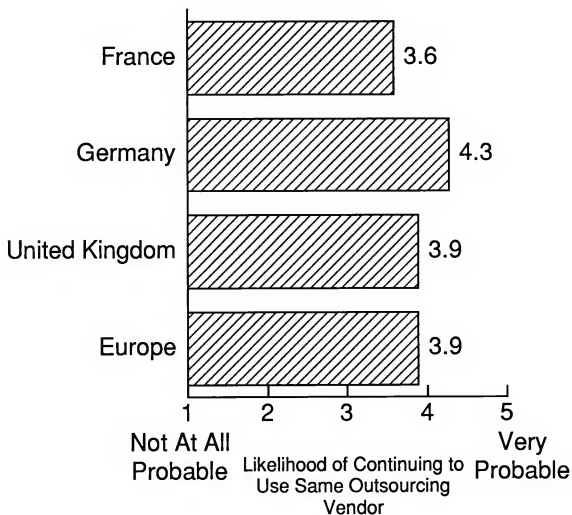


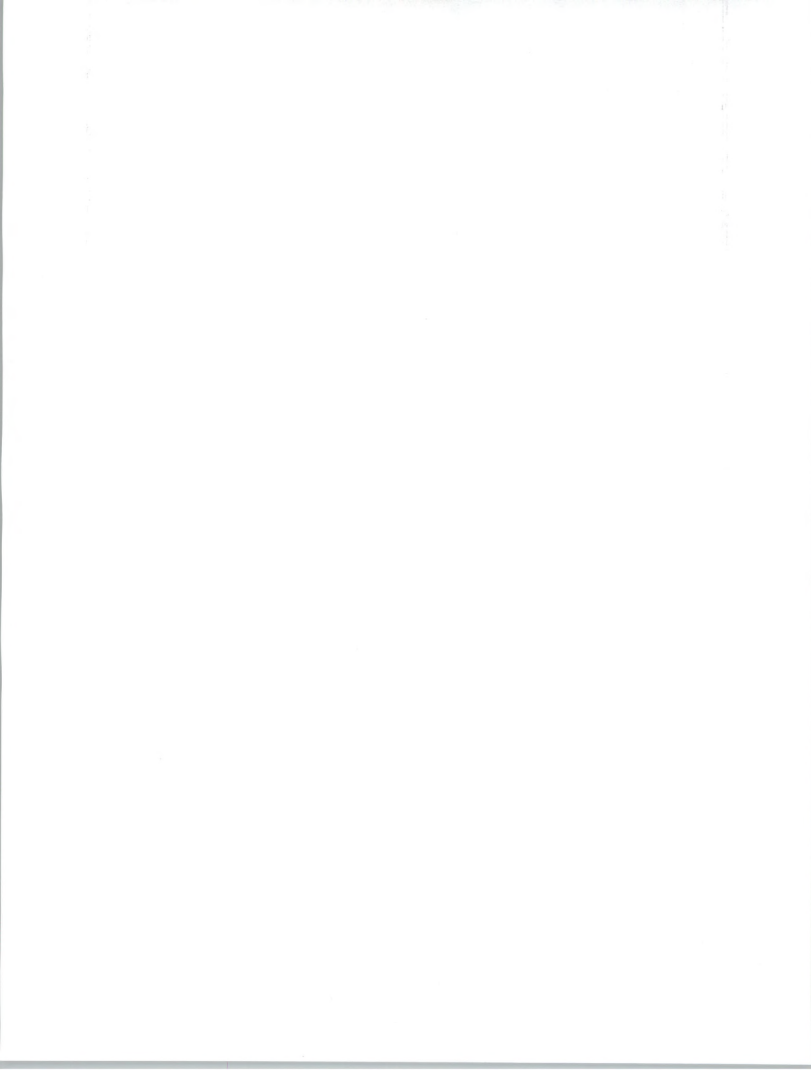
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Continue to outsource	12	33
Stop outsourcing	1	4
Total	13	37

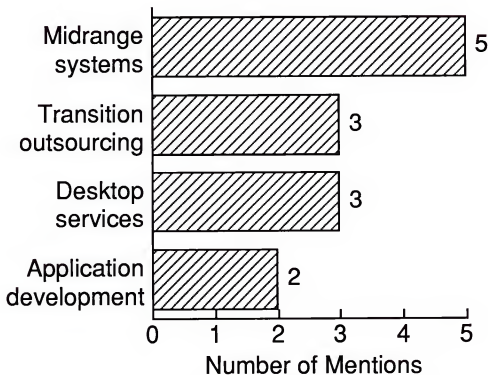


Client Loyalty





Increased Scope of Outsourcing—France

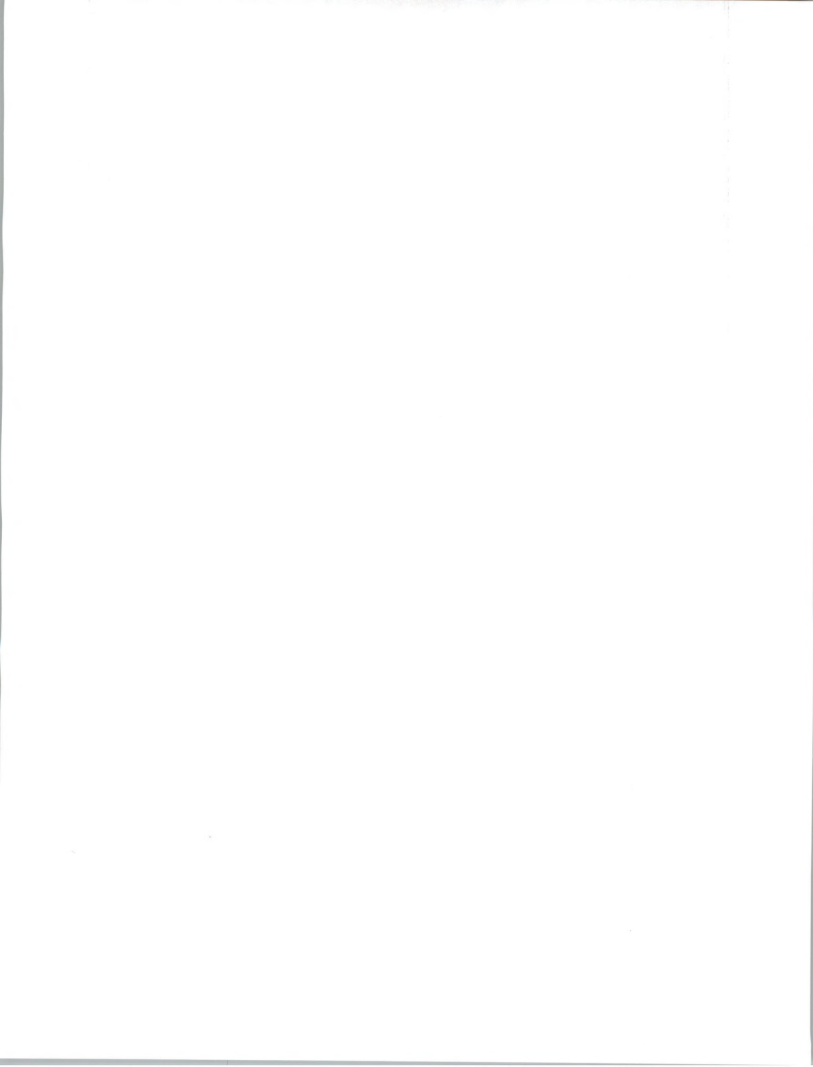


Sample of 12 outsourcing clients



How to Improve Use of Outsourcing

- Outsource more activities
- Improved communication and partnerships
- Meet emerging client needs



Evolution of European Outsourcing

